

1997

Employer Child Care Program/
Contribution Credit

3501

Attach to your California tax return.

Name(s) as shown on return

Social security or California corporation number

FEIN

Part I Employer Child Care Program Credit Read the instructions before completing this part.

Section A

1 Number of children the child care facility(ies) will legally accommodate (no minimum number required) 1

Section B — Credit Computation

2 Enter the amount of costs paid or incurred for startup expenses of establishing a child care program or constructing a child care facility in California to be used primarily by the children of either your employees or your tenant's employees, or both. See General Information, Part I, C, for the definition of startup expenses.	2		
3 Enter the amount of costs paid or incurred this year for contributions to California child care information and referral services. See General Information, Part I, B.	3		
4 Add line 2 and line 3.	4		
5 Multiply line 4 by 30% (.30)	5		
6 Pass-through credit(s) from Schedule(s) K-1 (100S, 541, 565 or 568)	6		
7 Add line 5 and line 6. Do not enter more than \$50,000 (any amount in excess of \$50,000 may not be claimed or carried over). S corporations: Go to line 8. All others: Skip line 8 and go to line 9	7		
8 S corporations: Enter 1/3 of the amount on line 7. Do not enter more than \$16,667.	8		
9 Credit carryover from prior years.	9		
10 Tentative Credit. S corporations: Add line 8 and line 9. All others: Add line 7 and line 9.	10		
11 Total available credit. Enter the lesser of the amount on line 10 or \$50,000 (any excess can be carried over)	11		
12 Enter amount of credit claimed (may be limited) on the current year tax return. See General Information, Part I, D.	12		
13 Subtract line 12 from line 11.	13		
14 Excess available credit. Subtract line 11 from line 10. If less than zero, enter -0-	14		
15 Credit carryover available for future years. Add line 13 and line 14	15		

Section C — Credit Recapture (for the Employer Child Care Program Credit). See General Information, Part I, E.

(a) Total credit claimed for all years	(b) Proration percentage (60 months less number of months facility operated) ÷ 60 months	(c) Credit recapture amount (column (a) x column (b))
16		

Include the amount on line 16, column (c), in the total on: Form 540, line 36; Form 540NR, line 45; Form 541, line 32; Form 100, Schedule J; Form 100S, Schedule J; Form 109, Schedule K; Form 565, Schedule K, line 22; or Form 568, Schedule K, line 20. Write in the space to the left of the line, "FTB 3501" and the amount of credit recaptured.

Part II Employer Child Care Contribution Credit Read the instructions before completing this part.

(a) Name of employee's dependent	(b) Contribution amount	(c) 30% of column (b), but not more than \$360	(d) No. of weeks of care ÷ 42, but not more than 100%	(e) Credit amount (column (c) x column (d))
1	\$	\$	%	\$
2 Pass-through credit(s) from Schedule(s) K-1 (100S, 541, 565 or 568)	2			
3 Total current year credits. Add amounts in line 1, column (e), and line 2.	3			
4 S corporations only: Enter 1/3 of the amount on line 3.	4			
5 Credit carryover from prior years.	5			
6 Total available credit. S corporations: Add line 4 and line 5 All others: Add line 3 and line 5	6			
7 Amount of credit claimed on the current year tax return. See General Information, Part II, D.	7			
8 Credit carryover available for future years. Subtract line 7 from line 6.	8			

Instructions for Form FTB 3501

Employer Child Care Program/Contribution Credit

General Information

Purpose

Use form FTB 3501 to figure a credit if you are an employer and have established or contributed to a qualified employee child care program or contributed to California child care information and referral services. Also use form FTB 3501 to figure any recapture of the employer child care program credit and to claim pass-through employer child care program/contribution credits received from S corporations, estates or trusts, partnerships or limited liability companies (LLCs) taxed as partnerships.

S corporations, estates or trusts, partnerships and LLCs taxed as partnerships should complete form FTB 3501 to figure the credit to pass through to shareholders, beneficiaries, partners or members. Attach this form to Form 100S, Form 541, Form 565 or Form 568. Show the pass-through credit for each shareholder, beneficiary, partner or member on Schedule K-1 (100S, 541, 565 or 568).

Part I — Employer Child Care Program Credit

A Description

The amount of the credit allowed is 30% of cost you paid or incurred for establishing a child care program or constructing a child care facility in California for use primarily by the children of your employees or the children of your tenant's employees, or both.

Two or more employers (other than a husband and wife) who share in the costs eligible for the credit may claim the credit in proportion to their respective share of the costs paid or incurred. For a husband and wife who file separate returns, the credit may be taken by either spouse or divided equally between them.

B Qualifications

Child Care Program Startup

You may claim this credit if you paid or incurred costs for the startup expenses of establishing a child care program or constructing child care facilities in California, and are either:

- An employer; or
- Leasing commercial or office space you own to an employer.

Information and Referral Services

You may also claim a credit for contributions to California child care information and referral services that:

- Identify local child care services;
- Offer information describing these resources to employees; and

- Refer employees to child care services where there are vacancies.

If a child care facility is established by 2 or more taxpayers, the credit is allowed if the facility is to be used primarily by the children of the employees of each of the taxpayers or the children of the employees of tenants of each of the taxpayers, or both.

Note: A credit is not allowed if local ordinance or regulation requires the taxpayer to provide a child care facility.

C Definition of Startup Expenses

Startup expenses include, but are not limited to:

- Feasibility studies;
- Site preparation; and
- Construction, renovation or acquisition of facilities for purposes of establishing or expanding on-site or near-site centers by one or more employers, or one or more building owners leasing space to employers.

D Limitations

The amount of credit generated for any taxable or income year is limited to \$50,000 (form FTB 3801, Part I, line 7).

S corporations may claim only 1/3 of the credit against the 1.5% entity-level tax (3.5% for financial S corporations). Any of the 1/3 credit not used by the S corporation in the year it was generated may be carried over to succeeding years until exhausted. In addition, S corporations may pass through 100% of the credit (not to exceed the \$50,000 annual limitation) to their shareholders.

This credit cannot reduce the minimum franchise tax (corporations, limited partnerships, limited liability partnerships, LLCs and S corporations), the alternative minimum tax (corporations, individuals and fiduciaries), the built-in gains tax (S corporations) or the excess net passive income tax (S corporations). This credit cannot reduce regular tax below the tentative minimum tax (TMT). See Schedule P (100, 540, 540NR or 541) for more information.

This credit is taken in lieu of any deduction otherwise allowable for the same costs. Therefore, any deduction allowed for the same costs or contributions must be reduced by the amount of credit claimed for the current taxable or income year (the amount shown on form FTB 3501, Part I, line 12).

The amount of credit you can claim on your tax return may be limited further (in addition to the annual limitation). Refer to the credit instructions in your tax booklet for more information. These instructions also explain how to claim this credit on your tax return. You must use credit code number **189** to claim this credit.

This credit is not refundable.

E Recapture

If the child care center is disposed of or stops operating within 60 months after completion, the portion of the credit claimed that represents the remaining portion of the 60-month period must be recaptured. You must add the recapture amount to your tax liability in the taxable or income year of disposition or nonuse. Figure any recapture amount in Part I, Section C.

Estates or trusts, partnerships and LLCs taxed as partnerships must identify the recapture amounts for their beneficiaries, partners and members on Schedule K-1 (541, 565 or 568). In addition, S corporations must identify recapture amounts for their shareholders on Schedule K-1 (100S), which will differ from the amount recaptured by the S corporation on Schedule J (100S).

F Carryover

If the available credit exceeds your tax liability for the current taxable or income year, you may carry over the excess credit to succeeding years until exhausted.

If the available credit generated this year (limited to \$50,000) plus the credit carried over from prior years exceeds \$50,000, you may carry over the amount in excess of \$50,000 to succeeding years.

Apply the carryover to the earliest taxable or income year(s) possible. In no event can this credit be carried back and applied against a prior year's tax.

Any credit generated in excess of \$50,000 in any taxable or income year may not be claimed and cannot be carried over to succeeding years.

G Basis and Depreciation

You must reduce the depreciable basis of the child care facility(ies) by the amount of the credit attributable to the facility(ies) in the taxable or income year the credit is allowed. You may elect to take depreciation in lieu of this credit, or you may take depreciation for the cost of the facility(ies) in excess of the amount of the credit claimed.

Part II — Employer Child Care Contribution Credit

A Description

The amount of the credit allowed is 30% of cost you paid or incurred for contributions made to a qualified care plan on behalf of any of your California employee's dependents under the age of 12.

Two or more employers (other than a husband and wife) who share in the costs eligible for the credit may claim the credit in proportion to their respective share of the costs paid or incurred. For a husband and wife who file separate returns, the credit may be taken by either spouse or divided equally between them.

B Qualifications

You may claim this credit if you are an employer who made contributions to a qualified care plan for any of your California employee's dependents under the age of 12. The credit is not available if the employee's dependent is in the care of a person who:

- Qualifies as a dependent of that employee or that employee's spouse; or
- Is a son, stepson, daughter or stepdaughter of that employee and is under the age of 19 at the close of the taxable or income year.

C Definitions

Qualified care plan includes, but is not limited to:

- On-site service;
- Center-based service;
- In-home care;
- Home-provider care; or
- Dependent care specialized center.

Facilities must be located in California and operated under the authority of a license when required by state law.

Full-time qualified care plan means an average of 8 or more hours of dependent care per day for at least 42 weeks per year in a qualified care plan.

Part-time qualified care plan means an average of 2 to 8 hours of dependent care per day for at least 42 weeks per year in a qualified care plan.

Employer contributions are direct payments to child care programs or providers.

D Limitations

The amount of this credit cannot exceed \$360 per dependent in any taxable or income year. If the child care received is less than 42 weeks, prorate the credit in Part II, line 1, column (c) as indicated in column (d).

If you, as an employer, make contributions to a qualified care plan and also collect fees from parents to support child care facilities which you own and operate, the contributions available for figuring the allowable credit may be limited. If the sum of contributions and fees exceed the total cost of child care, the contributions must be reduced by the amount in excess of cost.

S corporations may claim only 1/3 of the credit against the 1.5% entity-level tax (3.5% for financial S corporations). Any of the 1/3 credit not used by the S corporation in the year it was generated may be carried over to succeeding years until exhausted. In addition, S corporations may pass through 100% of the credit (not to exceed the \$50,000 annual limitation) to their shareholders.

This credit cannot reduce the minimum franchise tax (corporations, limited partnerships,

limited liability partnerships, LLCs and S corporations), the alternative minimum tax (corporations, individuals and fiduciaries), the built-in gains tax (S corporations) or the excess net passive income tax (S corporations). This credit cannot reduce regular tax below TMT. See Schedule P (100, 540, 540NR or 541) for more information.

This credit is taken in lieu of any deduction otherwise allowable for the same costs. Therefore, any deduction allowed for the same costs or contributions must be reduced by the amount of credit claimed for the current taxable or income year (the amount shown on Part II, line 7).

The amount of this credit you can claim on your tax return may be limited further. Refer to the credit instructions in your tax booklet for more information. These instructions also explain how to claim this credit on your tax return. You must use credit code number **190** to claim this credit.

This credit is not refundable.

E Carryover

If the available credit exceeds your tax liability for the current taxable or income year, you may carry over the excess credit to succeeding years until exhausted.

Apply the carryover to the earliest taxable or income years possible. In no event can this credit be carried back and applied against a prior year's tax.

F Basis

When you claim this credit for contributions to a qualified care plan used at a facility(ies) that you own, reduce the depreciable basis of the facility(ies) by the amount of the credit in the taxable or income year the credit is allowed.